T S3/FULL/1

3/9/1 (Item 1 from file: 9)
DIALOG(R)File 9:Business & Industry(R)

1309914 Supplier Number: 01309914 (THIS IS THE FULLTEXT)
Managers in Hong Kong hurry to offer new funds
(Hong Kong's recently passed Mandatory Provident Fund's regulations will not be seen for at least another two years)
Pensions & Investments, v 23, n 21, p 15
October 16, 1995
DOCUMENT TYPE: Journal ISSN: 1050-4974 (United States)
LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 985

ABSTRACT:
In Hong Kong, the Mandatory Provident Fund (MPF) was recently passed. Regulations for this fund are not slated to appear for at least another two years. Aggressive fund managers, nonetheless, are poised for what is expected to be a major event in the market place. Fidelity Investments and Barclays de Zoete Wedd Investment Management Hong Kong, are currently adapting existing programs to sell funds that will fall in line with MPF legislation. Some other fund managers, like Jardine Fleming Investment Management Services, Schroders Investment Asia, HSBC Investment Funds and Citibank Global Asset Management are saying that the time isn't right for forming new funds during the wait-and-see period, prior to the regulations appearing. This provident fund law will require employers supply retirement plans for full-time employees age 18 to 65. However, with the MPF market anticipated to have a cash flow of HK$40 bil ($5 bil) per year, there are some managers already vying for the position.

TEXT:
By Francine Brevetti

HONG KONG -- The regulations for Hong Kong's recently passed Mandatory Provident Fund won't appear for another two years at least. Nonetheless, aggressive fund managers are preparing for what is anticipated to be a major event in the market place.

For example, Fidelity Investments and Barclays de Zoete Wedd Investment Management Hong Kong are adapting existing programs to sell funds that will comply with MPF legislation.

Other fund managers such as Jardine Fleming Investment Management Services, Schroders Investment Asia, HSBC Investment Funds (the big three in the market) and Citibank Global Asset Management say the time is not ripe for creating new funds during this wait-and-see period before the regulations come out.
The provident fund law will require employers to provide retirement plans for full-time employees ages 18 to 65. Management and workers will each contribute 5% of the employee's salary. MPF plans will be trust-based private sector plans; trustees will choose the investment managers.

But with the MPF market expected to have a cash flow of HK$40 billion (U.S.$5 billion) a year, some managers already are jockeying for position.

Executives at Fidelity Investments are betting the Fidelity Advantage Portfolio will work under whatever regulations are established for the MPF schemes. The portfolio was created to comply with the 1993 Occupational Retirement Schemes Ordinance. When the MPF regulations are complete, Fidelity expects to use the Advantage Portfolio as a framework and create others under the same umbrella. It is flexible enough to adapt to subsidiary MPF legislation, said Richard Darke, Fidelity's managing director for institutional business. "There's business out there. The MPF

will significantly incr   cash flows into industry ...   fund is our vehicle to manage that growth," said Mr. Darke.

While Fidelity and BZW are expected to be significant players in the new field, assets are expected to be concentrated among Jardine Fleming, Schroders and HSBC.
Industry groups estimate HK$120 billion is managed in the territory now, with cash flows or HK$10 billion a year. When the MPF legislation takes effect, cash flow is estimated to increase to HK$40 billion a year.

The MPF will bring a smaller client to the market so there will be scope for other players, especially if administration is being offered as part of the package, said Patrick Tuohy, a principle with The Tresidder Tuohy Group, a financial consultancy.

BZW launched three products designed for medium or small pension funds two years ago. At the time, the firm had been managing the top end of the market but saw a niche in the smaller end that they are prepared to service with their conservative, balanced and growth funds.

BZW is looking for companies of more than 100 employees, the top end of the small-company market, said Alan Liu, director, Barclays de Zoete Wedd Investment Management Hong Kong. Acknowledging that other fund managers have launched quite a few new vehicles, he sees no need to create any at the moment. After the subsidiary legislation comes out, most companies will launch similar funds, Mr. Liu observed.

William Cheng, director, Schroders Investment Asia, confessed he was "quite puzzled" about how to proceed. Reading the text of the MPF law, he learned "the only thing relating to fund managers is investment restrictions. All we can do is to try to capture the present market in accordance with ORSO, but we can't do anything about MPF," he said.

So far, Schroders does not have a full product range ready to launch. While Mr. Cheng saw the benefits of launching an umbrella fund, operation issues pose hindrances he would have to wok out with the company's administrative agency. They will probably introduce a product similar to Fidelity's next year, giving the client flexibility of choice.

Schroders is not intent on isolating a market segment; instead, it will try to "capture the whole market," Mr. Cheng said.

In February, Citibank launched a flexible package of retirement services in Hong Kong "in view of the need for professional advice," following the introduction of ORSO, officials said.

Citibank Retirement Services helps employers register their retirement plans in compliance with ORSO and to prepare and structure their retirement benefits funds accounts. The head of the unit which manages these plan, Andrew Au, said Citibank Retirement Services offer employers a final salary scheme, a provident fund, and guaranteed contributions. However, Mr. Au would not discuss the company's plans for MPF plans, except to say the legislation has created a priority for the pension fund business.

While the industry is not ready to jump feet first into MPF-compatible funds. Desmond Chan, director, Jardine Fleming Investment Management Services, noticed the industry is launching new products in terms of risk profiles rather than country stock funds.

It is likely that funds created to satisfy MPF legislation will adhere to the same mold.

Bob Duggins, chief executive of HSBC Investment Funds, observed that because the MPF legislation is limited to the first HK$20,000 (U.S.$2,460) of monthly income, there will be a considerable supplementary market above.

Employers trying to comply with MPF will add supplemental funds on top for those who earn more than the minimum prescribed by legislation.

Providers are trying to assess for which segments of the market they will try positioning themselves, said Mr. Duggins. The employee's salary will indicate the degree of sophistication and choice that providers will offer. "Options may have to be clearly defined, with easy choices for the lower end of the market. The upper end may have greater variety of choice," he predicted.

In the meantime, existing schemes need to comply with MPF law when it comes into effect. Voluntary schemes for those earning HK$12,00 to HK$14,000 cover 35% of the workforce an will have to be amended to comply with basic MPF provisions.

This exercise will have to be easy for employers. Mr. Duggins said it is unlikely employers will add separate schemes on top of voluntary schemes to meet the requirements.

INDUSTRY NAMES: Insurance
PRODUCT NAMES: Pension, health, and welfare funds (637000)
CONCEPT TERMS: All government; New laws
GEOGRAPHIC NAMES: Hong Kong (HOK); Pacific Rim (PARX); Southern & Eastern Asia (SSAX)
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T S3/FULL/2

3/9/2 (Item 2 from file: 9)
DIALOG(R)File 9:Business & Industry(R)

1266962 Supplier Number: 01266962 (THIS IS THE FULLTEXT)
Hong Kong creates pension system
(Hong Kong Legislative Council approved legislation creating mandatory retirement system; some 1 mil people to be aged 65 or older in 2016)
Pensions & Investments, v 23, n 17, p 14
August 21, 1995
DOCUMENT TYPE: Journal ISSN: 1050-4974 (United States)
LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 1133

ABSTRACT:
The Hong Kong Legislative Council has approved legislation creating a mandatory retirement system for the territory. Currently, Hong Kong has a work force of nearly 3 mil people out of a population of just under 6 mil. Some 560,000 people are aged 65 or older but that number is expected to rise to 1 mil in 2016. Legislation requires that all full-time employees age 18-65 have retirement plans under their employers, with management and labor each contributing 5% of the employees' salary. Some of the issues of the new legislation have already been decided. For example, pension benefits will be paid as a lump sum at age 65, even if the employee is not retired, or at age 60 if the worker retires, leaves the work force permanently, or leaves Hong Kong permanently. The approximate size of Hong Kong's existing pension fund market is HK$100 bil, according to Roger Pyrke, chairman of the Hong Kong Investment Funds Association and regional director of the Barclay's International fund managers. Full text includes discussion on what effects the legislation will have and China's reactions.

TEXT:
By Francine Brevetti

HONG KONG -- The Legislation Council has approved legislation creating a mandatory retirement system for the territory.

Legislation requires employers to cover all full-time employees age 18-65 under retirement plans, with management and labor each contributing 5 percent of the employee's salary. The MPF schemes will be trust-based private sector plans; trustees will choose the investment managers.

Hong Kong is expected to have 1 million people aged 65 or older in 2016, compared with 560,000 now. The work force is now nearly 3 million people out of population of just under 6 million.

Specific regulations governing the MPF have yet to be fashioned; they are expected to be embodied in follow-up legislation, to be drafted in the next 18 to 24 months, said Cheung Chor-yung, assistant secretary for education and manpower. However, some industry representatives think it might take as long as three years to complete the regulations. All subsidiary legislation will be subject to Legislative Council approval.

Some issues have already been decided. For example, according to the newly passed legislation, pension benefits will be paid as a lump sum at age 65 -- even if the employee is not retired -- or at age 60 if the worker retires, leaves the work force permanently, or leaves Hong Kong permanently.

Exempted from the MPF law are those already covered by registered retirement plans, street hawkers, the self-employed, expatriates working fewer than three months and domestic workers.

Employers will have a [illegible]ice of investment vehicles u[illegible] registered plans. The plans' trustees will appoint approved fund managers and the employee may have a number of options available to suit individual needs.

Among the issues yet to be worked out are how the new funds coordinate with existing schemes, how they will be administered and managed and where they will be domiciled.

Details about the portability of funds, exemptions granted to the self-employed, the ongoing registration of existing schemes under the Occupational Retirement Schemes Ordinance currently in force and the compliance of future plans with that law will be addressed by subsidiary legislation.

Also to be created are mandatory provident fund authority to monitor the system and enforce compliance (which government officials predicted would take a year to achieve); a compensation fund to cover losses from illegal practices or improprieties; a residual pool for low-income workers; and portable benefits.

Lawmakers will hear again from opponents of the MPF law in the Legislative Council and the Chinese government.

The legislators of the Democratic Party, which gets support from labor and grass roots structures, are furious with the current legislation and vow to continue their fight in the next legislative session to revive the previously proposed Old Age Pension Scheme -- a contributory plan that is generous in terms of eligibility for benefits. Democrats criticize the MPF plan because they say it will take a long time to accrue valuable benefits. For example, although full vesting will be immediate according to the current program, it will take workers 10 years to receive the equivalent of one year's pay.

This style of system means that pressure on the social security system may persist, said Mark Baxter, director and manager for William M. Mercer in Hong Kong.

The People's Republic of China has also let it displeasure be know, although most pro-China legislators voted in favor of the MPF bill.

"How come (the British government) turned it into a fait accompli? Like a bowl of cooked rice, no matter if it is sweet, salty, too hard or too wet, you are told to eat it," said Yang Huaji, director of the research department of China's de facto diplomatic presence in the territory, the New China News Agency, or Xinhua.

Miffed that Chinese officials were not consulted before the bill's passage, Yang warned that the program would be reviewed after June 1997 -- when Hong Kong is returned to Chinese sovereignty.
Mercer's Baxter said he wants to know how existing plans will be treated, whether the MPF authority have power over investments, and how it would use that power.

"A lot hinges on subsidiary legislation," Mr. Baxter said. "I hope the government consults widely among insurers, consultancies, and all industry players. The system in Hong Kong is similar to the Australian system. I hope they analyze the experience in Australia."

Putting the system in place will require enormous effort over the next two years. But the establishment of the MPF system -- from the March 1995 appearance of the consultant's report by Hewitt Associates L.L.C. and GML Consulting Ltd. to the passage of the bill -- was completed in a remarkably short time.

Because of this, Baxter was not surprised that China wants to review the

legislation after the p[illegible]ical transition, though "this [illegible]ngs in an element of uncertainty."

Sheba Brener, a director of Watson Wyatt Worldwide, said all voluntary schemes are currently being registered under the Occupational Retirement Schemes Ordinance, with which they must comply in October.
While the MPF's subsidiary legislation is expected to harmonize the new plan with the old law, "it should have been dealt with up front instead of later," she said.

Roger Pyrke, chairman of the Hong Kong Investment Funds Association and regional director of the Barclay's International fund managers, thought the MPF bill was the "best of alternatives." Among his concerns were:

Will there be investment restrictions on where the majority can invest money? The Hong Kong Monetary Authority wants a minimum limit to be invested in Hong Kong investment fund assets, but the industry wants to restrictions.

How will portability be administered? "Hong Kong has a fluid work force. We need to design a cost-effective way of achieving portability.... Workers want minimum cost. Charges may be taken out on each contribution or annual administration fee," he said.

Mr. Pyrke also said clarification is needed regarding administrative fees and whether uniformity of charges can be achieved while ensuring that funds can be affordable to the poor and benefits are not eaten up by charges. Many of these details will be addressed in the second round of legislation, it is believed.

The approximate size of Hong Kong's existing pension fund market is HK$100 billion (U.S. $13 billion), Mr. Pyrke said. MPF contributions will be spread among a few managers and insurance companies to different types of funds: cash, guaranteed, funded capital growth, equity and different geographical funds approved by trustees and by the MPF authority.

"Competition between fund managers and insurance companies will be keen," Mr. Pyrke predicted. Insurance companies will offer fewer varieties of funds but better marketing, while HKIFA members will offer better selection, he said.

The HKIFA has 20 members, managing a total of U.S. $85 billion, with U.S.$30 billion in authorized local and international unit trusts and mutual funds and the balance in other types of funds.

INDUSTRY NAMES: Insurance
PRODUCT NAMES: Pension, health, and welfare funds (637000)
CONCEPT TERMS: All government; All market information; Demographics; Mature market; Market size; New laws
GEOGRAPHIC NAMES: Hong Kong (HOK); Pacific Rim (PARX); Southern & Eastern Asia (SSAX)
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T S3/FULL/3

3/9/3 (Item 1 from file: 13)
DIALOG(R)File 13:BAMP

1103001 Supplier Number: 01741413 (THIS IS THE FULLTEXT)

Trading Plastic

(Using credit cards to import and export is easy and cuts down on any currency exchange discrepancies, especially for small and medium sized businesses)

Article Author(s): Brevetti, Francine
World Trade, v 11, n 11, p S12-S13
November 1998
DOCUMENT TYPE: Journal ISSN: 1054-8637 (United States)
LANGUAGE: English RECORD TYPE: Fulltext; Abstract
WORD COUNT: 873

ABSTRACT:
An emerging trend was noted among small- and middle-sized importing and exporting companies, that is the increasing use of credit cards and declining usage of letters of credit. Using credit cards enable companies to engage in more business transactions, and lets companies avoid foreign exchange conversion losses. In response to this trend, International Services Inc., Visa and Paymentech Inc. created a dedicated credit card, called GBF VISA Business Credit Card, that could be used for both international sales and purchasers. GBF Visa is currently available to businesses with US operations, although there are plans to market the card to other countries. Just as there are advantages to using credit cards, there are also disadvantages such as: the elimination of familiarity between buyer and seller; placing all the risk on the buyer; and buyer could tie up his credit line.

TEXT:
International finance in your wallet

By Francine Brevetti

photo omitted

Today's common credit card is replacing the letter of credit--or LC--for small to medium-sized traders. Relatively unnoticed, this development has culminated in the creation of a dedicated credit card for both international sales and purchases.

For generations, the only way to import and export safely was through the laborious costly, though secure, process of enlisting the cooperation of both the buyer's and seller's bank to guarantee a foreign sale. Letter of Credit processing technology has been modernized to some extent with the development of electronic documentation, but it is still too onerous for many small- to medium-sized businesses, entrepreneurs say. Trade financing banks appear slow to admit the advantage of plastic over LCs in this vital segment of their market.

Today, for a certain rank of trader, credit cards make that time-consuming and expensive process unnecessary. One exporter's acceptance of credit cards was initially unplanned but now his foreign card sales account for 75% of his total business.

"There's absolutely no doubt in my mind," says Larry Peterson, president of Hosecomatic Inc., the Chicago-based maker of repair systems for industrial hoses. "If we didn't offer credit cards, we couldn't, do business in 95 countries over the world. He's also happy that he avoids foreign exchange conversion losses with the immediate consummation of a sale effected by plastic.

The ease of transaction allowed Hosecomatic to attract a customer whose purchases eventually grew to $500,000 a year. Though this customer's sales are no longer processed with plastic, "they wouldn't be a customer if we hadn't made it simple for them," Peterson asserts.
Early this year, Chicago's International Services Inc., through the agency of credit card processors Paymentech Inc. and VISA, offered a package of services to domestic exporters. The Global Business Forum (GBF) Merchant Program allows merchants to accept credit card payments from VISA, MasterCard, American Express, Discover, Carte Blanche, or JCB. It also gives them a GBF VISA Business Credit Card to charge international business expenses and manage them with a consolidated statement.

Besides enjoying immediate payment and avoiding currency conversion expenses, a GBF merchant receives sales leads from potential foreign buyers, Dun & Bradstreet international credit reports, and country specific trade reports.

Many exporters have been accepting credit card payments for some time, acknowledges Michael Harris, ISI chief. "We just tried to capture the process. LCs are an old world way (to conduct trade finance), he says.

photo omitted

Today, applicants to the GBF VISA Merchant program need a U.S. base of operations. However, ISI is planning expansion into targeted foreign countries. It is also investigating conversion to smart-card technology. "We are providing a platform for secure and immediate transactions to take place instead of lcs," he says. But the purveyors of LCs balk at this description and the implied disparagement of their time-honored product. "Everybody loves the convenience and quick finality of credit cards, especially for trade," says left Gordon, vice president of marketing at Wells Fargo HSBC Trade Bank, in San Francisco.

But complications arise with credit cards that do not with LCs, he warns, listing a slew of objections: The use of a credit card obviates the desirable familiarity between buyer and seller, puts all the risk on the buyer, and the buyer could be tying up his card's credit line.

When asked to respond, card-accepting exporters said they felt no trepidation about dealing with companies with whom they had no familiarity. Peterson points to Hoseco's track record: "We've been doing this for three years and have done thousands of transactions (by credit card). The only time we've ever were burned by credit card was by someone in the U.S."

"When using a credit card, we feel the funds are guaranteed. Their credit card company does that," says Margaret Porterfield, spokesperson for Euless, Texas-based Golden Look International, an exporter of concrete resurfacing products.
Golden Look recently introduced the credit card option to satisfy customers' wishes. That's a telling point. Formerly, all orders were prepaid. Porterfield cites ease of use compared to lcs, and freedom from the charges associated with lc documentation requirements. "Every time there's some objection (in the documentation), it's a $50 charge to change it," she notes.

To be sure, the buyer who uses his VISA or MasterCard to import supplies is still paying the interest charges on the credit card, so this method is not cost-free.

Michael Harris of ISI counters that any difficulties with unacceptable merchandise are resolved by contacting the shipper. "It is possible to issue a charge back with the merchant bank," he says. The GBF credit lines are higher than those of a normal consumer's credit card, typically $100,000 and above.

There are other avenues for small to medium-sized traders to effect foreign sales as well, for instance export credit insurance which the merchant buys, freeing the buyer of the inconvenience of cost or documentation.

But the objections of bankers or sellers of export credit insurance cannot counter this simple fact: Buyers want to transfer payment by credit card. And savvy merchants are honoring that.

The only question is: What's keeping the banks from climbing aboard the bandwagon?

Based in the San Francisco Bay Area, Brevetti writes on trade finance, marketing, and economics.

COMPANY DEPARTMENT NAME: Accounting & Finance
CONCEPT TERMS: Accounting & Finance; Business strategies; Credit management; Small business; Trade
GEOGRAPHIC NAMES: United States (USA)
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